

**REASEHEATH COLLEGE BOARD**  
**AUDIT COMMITTEE**

**Minutes of the meeting held on Thursday 5 July 2018 at 2.00pm**  
**Committee Room, Reaseheath Hall**

- Present: Colin Baxter (independent) (Chair)  
Karol Bailey (independent)  
Evelyn Davies Jones (co-opted)  
Dr Ian Graham (independent)  
Emily Thrane (co-opted)
- In attendance: Louise Tweedie, RSM  
David Hoose, Mazars LLP  
Marcus Clinton, Principal Designate  
Dave Kynaston, Vice Principal  
Graeme Lavery, CFO and Director of Resources  
Sharon Yates, Head of Apprenticeships (*item 6.3 only*)  
Jackie Schillinger, Clerk

*At the start of the meeting members had the opportunity to discuss any matters with the College Auditors without the presence of senior management.*

Item	Content
1.	<p><b>WELCOME AND APOLOGIES FOR ABSENCE</b></p> <p>The Chair welcomed all to the meeting. Apologies were received and accepted from Fran Johnson. The Principal, usually in attendance, had given his apologies on this occasion. The meeting was quorate.</p>
2.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>The following interests were noted: Emily Thrane, Chair of the DART Limited Board of Directors and member of the University Council, University of Chester; Dr Ian Graham, Member University of Chester Council.</p>
3.	<p><b>MINUTES AND MATTERS ARISING</b></p> <p>3.1 Parts A and B of the minutes of the meeting held on 15 March 2018 were approved as a correct record for signature by the Vice Chair, as she had chaired the meeting in the absence of the Chair.</p> <p>3.2 The Chief Finance Officer and Director of Resources (CFO) confirmed that item 5.2 of the minutes had been picked up in the audit tracking report, on the agenda.</p>

<p>4.</p>	<p><b>DEVELOPMENT BRIEFING:</b>  RSM provided a development briefing to the meeting including a higher education and further education sector update. Areas covered included:  Higher Education  <ul style="list-style-type: none"> <li>•Sector architecture</li> <li>•Office for Students</li> <li>•Financial Health of the HE Sector</li> </ul> Further Education  <ul style="list-style-type: none"> <li>•Audit Code of Practice</li> <li>•FE Commissioner Annual Report 2016/17</li> <li>•FE Risk Management 2018</li> </ul> </p>
<p>5.</p> <p>5.1</p> <p>5.2</p> <p>5.3</p> <p>5.4</p>	<p><b>EXTERNAL AUDIT REPORTS</b></p> <p>David Hoose of Mazars LLP introduced himself and his team as the College’s new audit team in Mazars. He presented the External Audit Draft Strategy Memorandum and draft engagement letter for recommendation to the Board for approval. He outlined the common sector significant risks and key judgement areas planned for the 2018-19 year end audit. He also confirmed that the strategy covered DART Limited as well and so there will not be a separate audit strategy for DART.</p> <p><b>RESOLVED: To approve the external audit draft strategy memorandum and engagement letter and to recommend the same to the Board for approval.</b></p> <p>The CFO presented the regularity self-assessment report, providing information and assurance both to the external auditor and to the accounting officer on the regularity of College business during the 2017-18 academic year. On discussion, it was agreed that a small number of areas could be re-worded or added to in order to improve clarity and assurance. The external auditor confirmed that the report was fit and sufficient for his purposes in relation to the financial statements audit and thanked the CFO for providing the report in good time for the audit. <b>ACTION: CFO adjust report, as agreed.</b></p> <p><b>RESOLVED: To approve the regularity self-assessment report for recommendation to the Board, subject to the small number of adjustments, for approval and signing by the Chair and Principal.</b></p>
<p>6.</p> <p>6.1</p> <p>6.2</p> <p>6.3</p>	<p><b>INTERNAL AUDIT REPORTS</b></p> <p>Louise Tweedie of RSM presented the following internal audit reports: Internal Audit Progress Report; Post 1 May 2017 Apprenticeships – Framework Review; Internal Verification Framework Review; Cyber Security Controls; Higher Education Funding Education Student Survey (HEIFES) Return – Key Controls; GDPR – Phase 2; Internal Audit Strategy 2018-19 including the internal audit plan for 2018-19.</p> <p>The Committee received the Internal Audit Progress Report and the Higher Education Funding Education Student Survey (HEIFES) Return – Key Controls, both showing good results and with no concerns to raise.</p> <p>The Post 1 May 2017 Apprenticeships – Framework Review report was received and considered in detail. The Reaseheath College Head of Apprenticeships attended for this partial assurance audit outcome, in order for the Committee to have direct access to the operational level of management responsible for the risk area. Members noted the challenging sector context and that no audit that RSM has completed has provided full assurance, with all colleges so far receiving partial assurance. However, the Committee noted the potential risk on funding income, not quantified as part of the</p>

audit, but that required swift action to implement the audit recommendations. Louise Tweedie of RSM provided information on the changed funding rules and requirements and highlighted the high priority and medium priority recommendations contained in the report. The recommendations were discussed in detail, with responsibilities and actions to achieve compliance within a reasonable time frame tested and probed by the Committee. The Head of Apprenticeships gave her view that she considered compliance with the audit recommendations by the deadline as realistic and that none of the areas raised has come as a surprise, but that there is a substantial housekeeping job to be done. On questioning, she confirmed that resource has been invested into the apprenticeships teams across Reaseheath training and DART such that it should be possible to achieve compliance. The Committee also took assurance that apprentices themselves had not been negatively affected.

**ACTION: Head of Apprenticeships to link and ensure recommendations are in place in DART and DART sub-contractors as well. Ask for full funding audit by RSM.**

6.4 The Committee received the Internal Verification Framework Review, providing partial assurance, and considered the report in detail. RSM took the meeting through the key findings and the four medium priority and seven low priority recommendations. On further discussion, it was noted that a change in staffing had resulted in a period of time with insufficient oversight and that a new member of staff, the Quality Manager, had now taken direct responsibility for this area and had already taken control of the issues and is fully involved. A member sought assurance that compliance with the recommendations would be more than just meeting requirements but would seek to move the College forward and achieve really good practice, especially with the move to the new qualification framework and standard setting. The Vice Principal confirmed that he is confident that this is the approach being taken by the Quality Manager and evidence is already being seen. RSM confirmed that progress will be picked up in the Follow Up internal audit reporting next year.

6.5 RSM presented the Cyber Security Controls audit report, providing reasonable assurance and she took the meeting through the six medium priority recommendations. Following discussion the Committee was satisfied that the College was making make good progress.

6.6 RSM presented the GDPR – Phase 2 advisory audit report, showing the College continues to move forward with good progress but that there is still more work to be done. In response to a question, it was confirmed that the working group set up is still in place and has met, but that there has been a period of time where a large amount of procedure and process has been carried out. It was agreed to clarify the wording. Completion of staff training on GDPR was confirmed. The Committee received the report and confirmed that it would continue to monitor progress.

6.7 The Internal Audit Plan 2018/19 was received and RSM provided the context for the development of the plan, including the sector changes, the risk register and meetings with managers to discuss emerging issues. She took the meeting through the suggested plan. The Committee confirmed that they were happy with the content and coverage. They also considered the costs of the plan, which, due to the increasing complexity in the sector and risk-based audit requirements, has significantly more audit days planned than the College has generally commissioned in previous years. The Committee discussed the audit planning in detail and were satisfied that the amount of audit activity planned is needed in the best interests of the College. It was agreed that, subject to a double-check outside of the meeting by the management team and internal auditors that the plan is as lean as it can be, the Internal Audit Plan for 2018/19 can be recommended to the Board for approval.

6.8 **RESOLVED: To approve for recommendation to the Board the internal audit strategy and internal audit plan for 2018-19**

6.9	<p>The Chief Finance Officer and Director of Resources presented the Internal Audit Recommendation Tracking Report, showing implementation of recommendations is up to date. A member noted that an item on the plan required the revised date for completion adding.</p> <p><b>ACTION: CFO to add revised date to tracking report.</b></p>
<p><b>7.</b></p> <p>7.1</p> <p>7.2</p> <p><b>7.3</b></p>	<p><b>RISK MANAGEMENT</b></p> <p>The Committee considered the updated college strategic risk register and reports from other committees. The committee considered the updated risk review report and recommended that it be provided to the Board for information. The Committee recommended that specific DART Limited risk reporting be brought forward to it in future</p> <p>The Committee received the Risk Management annual report for recommendation to the Board. It recommended one amendment to clarify that DART Limited came within its scope.</p> <p><b>RESOLVED: To approve the Risk Management Policy for 2018-19 and the Annual Report for 2017-18 and to recommend the same for approval to the Board.</b></p>
8.	<p><b>IRREGULARITIES</b></p> <p>The CFO reported that a member of staff incorrectly used the expenses system, which was picked up by the Payroll Manager and nothing was paid to the person. The mistake is considered to be genuine and training has been given, with a management note on the person’s HR file. Members asked about general learning from this and the CFO confirmed that whilst there is no need to revise guidance, there is already more development work with staff CPD planned that links to professional competencies, including regularity and compliance.</p>
<p><b>9.</b></p> <p>9.1</p> <p><b>9.2</b></p>	<p><b>SELF-ASSESSMENT OF THE COMMITTEE</b></p> <p>The Committee considered its performance against its Terms of Reference (TOR) in 2017/18 and reviewed its TOR for 2018-19. The clerk requested further comments to be emailed to her outside of the meeting. Auditors provided their input and suggested a couple of changes to the TOR to ensure that they align with the updated Joint Audit Code of Practice.</p> <p><b>RESOLVED: Recommend approval of the Terms of Reference, subject to the minor amendments noted, as compliant with the Joint Audit Code of Practice for 2018-19.</b></p>
10.	<p><b>MATTERS TO REPORT TO THE BOARD</b></p> <p>The recommended approval of:</p> <ul style="list-style-type: none"> <li>• The internal audit strategy and internal audit plan for 2018-19</li> <li>• The external audit draft strategy memorandum and engagement letter</li> <li>• The regularity self-assessment report, subject to the small number of adjustments, for approval and signing by the Chair and Principal.</li> <li>• The Risk Management Policy for 2018-19 and the Annual Report for 2017-18 and to recommend the same for approval to the Board.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Terms of Reference, subject to the minor amendments noted, as compliant with the Joint Audit Code of Practice for 2018-19.</li> <li>• The re-appointment of external auditors, Mazars LLP for the 2018-19 year and to approve the re-appointment of internal auditors for 2018-19, RSM, on the basis of an extension to the tender for a further two years, 2018-19 and 2019-20</li> </ul>
<b>11.</b>	<p><b>ANY OTHER BUSINESS</b> There was no other business to report.</p>
<b>12.</b>	<p><b>DATE OF NEXT MEETING</b> The date of the next meeting was confirmed as Thursday 29 November 2018 at 11am</p>
<b>13.</b>	<p><i>In the absence of College Auditors</i></p> <p><b>COLLEGE AUDITORS - ANNUAL REVIEW OF PERFORMANCE AND RE-APPOINTMENT</b></p>
13.1	<p>The Chair led the annual performance review of auditors, against the following criteria:</p> <ul style="list-style-type: none"> <li>• Compliance with professional standards (incl. independence);</li> <li>• value for money;</li> <li>• quality and relevance of the audit plan;</li> <li>• appropriateness of the skills, knowledge and experience of the audit team;</li> <li>• timeliness and appropriateness of the audit reports and recommendations; and</li> <li>• attendance at audit committee meetings.</li> </ul>
13.2	<p>The Committee noted that it receives assurance from both auditors on compliance with professional standards within its regular audit reporting. The external audit strategy memorandum contains a statement by external auditors that they comply with UK regulatory and professional requirements, including in relation to objectivity and independence. The audit completion report contains statements on compliance and independence. The Internal Audit Charter confirms the internal auditor's adherence to regulations and professional standards, including in relation to objectivity and independence. The annual internal audit report also reports on performance and compliance with internal auditing standards.</p>
13.3	<p>Following discussion, the Audit Committee was satisfied that performance remains good and both audit services offer value for money. In light of the discussion on the internal audit fee increase this year due to additional risk based audit days in the audit plan, the Committee was satisfied that this approach was necessary and prudent in the context of the unprecedented level of change in the sector.</p>
<b>13.4</b>	<p><b>RESOLVED: To approve for recommendation to the Board the re-appointment of external auditors, Mazars LLP for the 2018-19 year and to approve the re-appointment of internal auditors for 2018-19, RSM, on the basis of an extension to the tender for a further two years, 2018-19 and 2019-20.</b></p>

The meeting closed at 4pm

Signed:

Dated: